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ACTION E-15

INFO OCT-01 EUR-20 CAB-09 CIAE-00 COM-08 DODE-00 DOT-12
INR-07 NSAE-00 RSC-01 SS-20 PM-05 NSC-10 P-03 PRS-01
USIA-12 RSR-01 /125 W

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TO SECSTATE WASHDC PRIORITY 4603

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SUBJECT: CIVAIR NEGOTIATIONS

1. IN TWO MEETINGS MONDAY ITALDEL TABLED ITALIAN DOC. 2 WHICH PROPOSED SINGLE ALL-CARGO COMBINATION ROUTE SCHEDULE BUT WHICH RESTRICTED ALL-CARGO SERVICES TO 3 POINTS IN U.S., 1 POINT EACH IN IRELAND AND UK, ROME AND MILAN AND NO BEYONDS. ITALIAN DOC. 2 PROVIDED FOR TEN U.S. POINTS FOR BOTH ITALIAN AND U.S. CARRIERS. U.S. INTERMEDIATE COUNTRIES WERE FRANCE, GERMANY, SWITZERLAND, SPAIN, PORTUGAL, IRELAND AND UK, WHILE ITALIAN INTERMEDIATES WERE IRELAND, PORTUGAL OR GERMANY, SPAIN, FRANCE AND CANADA.

2. US TABLED U.S. DOC 4 WHICH ESSENTIALLY SAME AS U.S. DOC. 2 EXCEPT TRAFFIC RIGHTS ON ALL-CARGO SERVICES RESTRICTED BEYOND ROME AND DOT EAST COAST-EUROPE CASE POINTS TO BE INCLUDED IF CERTIFICATED.

3. IN ENSUING DISCUSSION ITALDEL EXPRESSED COMPLETE OPPOSITION TO INCLUSION ADDITIONAL EAST COAST-EUROPE CASE POINTS AND DEFENDED DOUBLE TRACKING PRINCIPLE ON BASIS RECIPROCITY. USDEL POINTED OUT THAT IF AGREEMENT CONCLUDED PRIOR TO COMPLETION EAST COAST-EUROPE CASE THESE POINTS WOULD FALL OUT OF DEAL BUT THESE POINTS COULD NOT BE COMPLETELY DISREGARDED NOW. AS FOR DOUBLE TRACKING U.S. OPPOSITION ON BOTH PRACTICAL AND CONCEPTUAL GROUNDS HAS BEEN EXPRESSED AS NAUSEUM OVER PAST SEVERAL YEARS AND USDEL COULD ONLY

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SUMMARIZE VIEWS BY STATING THIS APPROACH SIMPLY NOT ACCEPTABLE.

4. IN END ITALDEL PROPOSED USING 13 U.S. CARRIER CERTIFICATED POINTS AS BASIS FOR DISCUSSION ALTHOUGH MADE IT CLEAR THIS WAS ONLY STARTING POINT. USDEL SAID WOULD CONSIDER AND REPLY TODAY.

5. IN DISCUSSION WITH INDUSTRY REPS AFTER MEETINGS THEY TOOK EXTREMELY PESSIMISTIC VIEW OF CURRENT NEGOTIATING SITUATION. THEY FEEL THAT ITALIANS NOT REALLY READY FOR AGREEMENT AND WILL NOT NEGOTIATE SERIOUSLY UNTIL U.S. COMES UP WITH PRESSURE DEVICE (SHOW CAUSE OR PART 213) WHICH ITALIANS WILL RECOGNIZE AS EFFECTIVE RECIPROCAL RETALIATORY DEVICE. CARRIERS URGE THAT USDEL NOW FOCUS ON SUMMER PROGRAM AND PAA APRIL 26 747 FILING ON BASIS THAT AGREEMENT NOT POSSIBLE THIS SESSION.

6. IN TUESDAY SESSION USDEL REFERRED TO USDEL COMMITMENT WITH PORTUGAL ON MAY 4 AND POINTED OUT NEED, IN LIGHT SLOW PROGRESS TO DATE, TO PROGRAM REMAINDER OF TIME IN ORDER ENSURE ALL SUBJECTS COVERED. MENTIONED ALL-CARGO CAPACITY, MULTIPLE DESIGNATION, 747 PROBLEM AND SUMMER SCHEDULES AS MATTERS STILL REQUIRING CONSIDERABLE DISCUSSION. ALSO NOTED PAA APRIL 26 FILING AND URGED EARLY FAVORABLE RESPONSE.

7. ITAL DEL SAID DID NOT HAVE COMPLETE INFORMATION ON STATUS PAA FILING BUT HOPED REPLY TODAY. AS FOR SUMMER PROGRAM FELT PREMATURE EXAMINING THIS QUESTION NOW. AS FOR PROGRAM FOR REST OF SESSION ITALDEL BELIEVED IT BEST TO COMPLETE DISCUSSION ON EACH SUBJECT BEFORE TURNING TO NEXT. USDEL RESPONDED THAT ITALIAN DELEGATION WAS UNLIKELY TO EXPOSE ITS HAND COMPLETELY BEFORE SEEING WHOLE PACKAGE AND USDEL WAS IN SOMEWHAT SAME POSITION.

8. DISCUSSION THEN TURNED TO ROUTES AND ITALDEL ASKED IF USDEL PREPARED RESPOND TO ITALDEL PROPOSAL TO EXAMINE ROUTES ON BASIS US 13 CERTIFICATED POINTS. USDEL RESPONDED BY MAKING ONE MORE TRY TO OBTAIN "FROM US" FORMULATION WITHOUT NAMING POINTS. REITERATED EARLIER ARGUMENTS ON THIS SUBJECT EMPHASIZING THIS FORMULATION WOULD REMOVE MANY CONCEPTUAL DIFFICULTIES. ENDED BY ASKING ON WHAT BASIS ITALDEL WOULD ACCEPT THIS APPROACH. THRUST OF ITALDEL REPLY WAS THAT THIS FORMULATION NOT ACCEPTABLE ON ANY BASIS. ITALDEL SAID ONLY WAY ROUTES COULD BE HANDLED WAS BY NAMING POINTS.

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9. USDEL THEN AGREED AS CONCESSION TO ABANDON "FROM US" APPROACH BUT SAID ONLY BASIS ON WHICH U.S. COULD CONSIDER NAMED POINT DEAL WAS TO HAVE ALL 13 CERTIFICATED POINTS FOR U.S. AND PREVIOUSLY DISCUSSED 6 POINTS FOR ITALY. POINTED OUT THIS MOVE WAS BIG STEP FORWARD BY USDEL CONSIDERING THAT ITALIANS HAD VIRTUALLY AGREED TO "FROM US" FORMULATION IN 1968. ITALDEL RESPONDED THAT 6 FOR 13 SWAP WAS HARDLY RECIPROCITY AND PROPOSED TO CONCEDE 13 POINTS FOR US IF ITALY HAD 10. USDEL EMPHASIZED THAT FOR REASONS ITALIANS WELL KNEW AN ADDITIONAL POINT IN U.S. FOR THE U.S. CARRIERS CONVEYED RELATIVELY SMALL ADDITIONAL BENEFIT TO U.S. SIDE BUT SAME POINTED ADDED SUBSTANTIAL VALUE TO ITALIAN SIDE. USDEL RECOGNIZED THAT INCLUSION OF 7 MORE POINTS FOR U.S. OVER THOSE INCLUDED IN VALUATION EXERCISE REPRESENTED SOME ADDITIONAL VALUE FOR U.S. HOWEVER, IN U.S. VIEW THIS INCREASE IN VALUES ON U.S. SIDE WAS AT LEAST MATCHED BY CURRENT GREATER PENETRATION IN U.S. MARKET BY ALITALIA AND BY INCREASED VALUE OF ITALIAN ROUE PACKAGE. USDEL OFFERED TO CONDUCT REEXAMINATION OF ROUTE VALUES TO DEMONSTRATE ECONOMIC BALANCE EXISTED UNDER PROPOSED U.S. EXCHANGE. ITALDEL REFUSED THIS OFFER. IN END ITALDEL ASKED WHAT ADDITIONAL POINTS USDEL COULD CONCEDE IF ITALDEL OFFERED U.S. ALL 13 CERTIFICATED POINTS. USDEL REITERATED EARLIER ARGUMENTS ON BALANCE AND STATED USDEL COULD NOT SUPPORT RECOMMENDATION TO USG FOR MORE ITALIAN POINTS UNLESS ITALDEL RROVIDED ECONOMIC JUSTIFICATION.

10. COMMENT: WHILE NOT PLEASED BY SLOW PROGRESS TO DATE USDEL DOES NOT SHARE PESSIMISM OF INDUSTRY. WHILE WE OBVIOUSLY MUST BE PREPARED TO DEAL WITH ALL CONTINGENCIES AS SUGGESTED BY U.S. INDUSTRY, USDEL FEELS STILL TOO EARLY TO MAKE FIRM PROGNOSIS OF OUTCOME. THERE IS STILL MOVEMENT. CRITICAL TEST WILL BE ITALIAN REACTION ON MULTIPLE DESIGNATION AND ALL-CARGO SERVICES. USDEL SUSPECTS INDUSTRY HERE WOULD NOT OBJECT STRENUOUSLY TO SOME SWEETENING OF ROUTE PACKAGE FOR ITALIANS IF REST OF DEAL ACCEPTABLE.
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